

Committee on the Expansion of Trade in Information Technology Products

Status

The landmark agreement to eliminate tariffs by January 1, 2000 on a wide range of information technology products, generally known as the Information Technology Agreement, or ITA, was concluded at the WTO's first Ministerial Conference at Singapore in December 1996. As of this writing, the ITA has 52⁴ participants representing over 95 percent of trade in the \$600 billion global market for information technology products.

Assessment of the First Three Years of Operation

The ITA entered into force on July 1, 1997. The ITA was one of three post-Uruguay Round agreements essential to the new economy of the 21st century (the others were financial services and basic telecommunications services). The ITA confirms the potential for the WTO as a vehicle for ongoing trade liberalization. The multilateral benefits of the ITA are demonstrated by growth in participation.

Twenty-eight participants launched the ITA in 1996 at the WTO Ministerial in Singapore. By March 1997, 39 participants agreed to implement the ITA and to establish the Committee to carry out the work program envisioned in the Ministerial Declaration. As of December 17, 1999, the number of participants has grown to 52, with several more countries in the process of WTO accession having agreed to join the ITA upon joining the Organization.

ITA product coverage includes computers and computer equipment, semiconductors and integrated circuits, computer software products, telecommunications equipment, semiconductor manufacturing equipment and computer-based analytical instruments. The ITA participants will eliminate tariffs on these products by the year 2000. Some limited staging up to 2005 was granted on a country-by-country basis for individual products. The ITA, thus far, is the only global, sectoral agreement in which participating governments have agreed on a uniform list of products on which all duties will be eliminated.

In launching the ITA, Ministers agreed that the product coverage would be subject to periodic review and expansion to take account of the rapidly changing technology and differences in tariff nomenclature in the sector. Ministers further agreed consultations on non-tariff measures would be undertaken during the course of WTO work in this sector. Participants also established a Committee on the Expansion of Trade in Information Technology Products to carry out the work program identified at Singapore. The ITA is a special Agreement in many ways. Many countries in the process of accession have already negotiated and implemented commitments and joined the ITA, pending completion of their negotiations.

The ITA, thus far, is the only global, sectoral agreement in which participating governments have agreed on a uniform list of products on which all duties will be eliminated. The ITA covers much of the hardware side of the innovations in electronic commerce and telecommunications services and the interactive software that

⁴ ITA participants are: Albania, Australia, Canada, Costa Rica, Croatia, Czech Republic, El Salvador, Estonia, European Communities (on behalf of 15 Member States), Georgia, Hong Kong China, Iceland, India, Indonesia, Israel, Japan, Jordan, Republic of Korea, Krygyz Republic, Latvia, Lithuania, Macau, Malaysia, Mauritius, New Zealand, Norway, Panama, Philippines, Poland, Romania, Singapore, Slovak Republic, Switzerland and Liechtenstein, Taiwan, Thailand, Turkey, and the United States. Additional countries, including China, Armenia, Georgia and Moldova, have indicated their intention to join the ITA.

underlies these innovations – products that represent over \$600 billion in global trade.

United States producers and exporters receive significant benefits from the expansion of global markets through the ITA. Industry sources estimate that the Information Technology Agreement will save U.S. exporters of ITA products about \$5 billion in tariffs, benefitting the 1.6 million workers in the information technology industry, including the 200,000 workers in the 1,000 U.S. computer hardware companies that produced equipment worth over \$70 billion last year; the 200,000 workers in the over 7,000 firms that comprise the U.S. software industry, which is the largest in the world and one of the fastest growing high technology sectors in the U.S. economy; the 170,000 workers in the more than 5,000 firms that make the United States the largest single-country producer of telecommunications equipment in the world; the 400 or so U.S. manufacturers of semiconductor manufacturing equipment that account for 50 percent of world shipments; the 3,200 U.S. firms producing high technology measuring, testing and analyzing instruments that account for over 40 percent of global production; and the 190,000 workers in the U.S. semiconductor industry that alone produced about \$40 billion in state-of-the-art semiconductors in recent years.

The WTO, through the activities of the Committee, is well-placed to respond to the dynamic nature of the information technology sector. The Committee, through its ongoing work on product expansion and non-tariff measures (including product standards, and product classification issues) offers the venue and interested participants to address these and other forthcoming issues, such as those related to the convergence of consumer and information technology product technologies.

Major Issues in 1999

The Committee examined all areas of its mandated work program during the six formal meetings of the Committee held during 1999. The Committee consistently reviewed the status of implementation of the ITA. All participants continued to lower tariffs on ITA products in 1999, and for the majority of participants, 1999 marked the final year where tariffs would be charged on these products. Consultations also continued throughout the year on the so-called ITA II product expansion list proposed in 1998, with certain participants noting the need for further time to continue domestic review of the package.

Pursuant to the provisions of the Singapore Ministerial Declaration, the Committee also continued its work to address divergences in classifying information technology products that had begun in 1998. The Committee agreed that an informal meeting of experts would be a useful way to move forward on this issues. As a result, experts from many Member countries met for a week of technical discussions in October to review a wide range of classification divergences for ITA products, particularly semiconductor manufacturing and test equipment. As a result of these discussions, certain participants revised their classification of some products to achieve more uniform and transparent classification. Participants agreed to continue this constructive discussion of classification issues in 2000. Participants also reviewed the product description for monitors in accordance with a provision contained in Attachment B of the Ministerial Declaration. There were no resulting decisions or changes to the product description.

The Committee continued its consultations on nontariff measures with many participants expressing a strong interest in work on standards-related measures in the sector. Following a proposal initiated by the United States, the Committee had conducted a survey among participants of current regulations and conformity assessment requirements for information technology products as an initial project in this area. More specifically, the survey asked about current practices in the areas of safety (i.e., use of IEC 950), other standards (i.e., CISPR 22 which addresses electromagnetic interference) and reliance on suppliers' declaration of conformity for IT products. Further work in this areas is anticipated, utilizing a summary of replies to the survey requested by the Committee for this purpose as well as "national experience" papers by certain participants.

The importance of further work on standards and other non-tariff measures was one of the issues highlighted by private sector participants in an Information Technology Symposium held by the Committee on July 16, 1999 in order to ensure that the WTO and the trading system overall adequately address the challenges of the 21st century. The symposium consisted of issue-oriented panels that addressed the dynamism of the information technology sector and its future, to explain the role of information technology in promoting economic growth and development, and to highlight the value of the application of information technology. Each panel was followed by an interactive discussion and question and answer session. Speakers from 18 countries, with wide geographic representation, participated in the symposium.

One theme stressed by the speakers was the importance of information technology, its “enabling” quality, and the importance of trade. The convergence of computers, communication, consumers, and electronic commerce was a major theme of the presentations. Private sector representatives from Israel, Malaysia, Costa Rica, and Estonia highlighted the benefit of information technology trade for small and developing countries. Other speakers addressed the private sector’s concerns that cumbersome regulatory procedures substantially slow the introduction of new products in this sector. Private sector speakers addressing this issue expressed their support for a regulatory regime that would leave it up to the product’s producer to determine if the product conforms to required standards rather than requiring that testing be done by independent laboratories or government agencies. The presentations of all speakers can be found on the WTO website at www.wto.org.

Work for 2000

Bolstered by the enthusiasm expressed by the private sector at the July symposium for the Committee’s work program, the Committee is expected to intensify its efforts to ensure that the WTO remains an important vehicle to address the dynamic nature of the information technology sector. The Committee will continue its mandated work program, including reviewing possibilities for product expansion (“TTA II”), classification issues, standards and other non-tariff measures that present barriers to trade in information technology products. In addition, the Committee will continue to monitor implementation of the Agreement, including undertaking any necessary clarifications.